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UNCLAS HANOI 000889

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GENEVA FOR USTR

E.O. 12958: N/A

TAGS: ETRD EAGR ECON VM WTO

SUBJECT: Vietnam Working on U.S. MFN Duty Issue

Sensitive but Unclassified -- Please protect accordingly.

REF: (A) HANOI 696 (B) HANOI 821

¶1. (SBU) SUMMARY: Econcouns met MOT DG for Multilateral Affairs Khanh to discuss the MFN duty issue on March 26. Khanh said he was working to solve this issue, but that some in the GVN believed that since textiles were excluded from the BTA, anything in a textile deal with the EU was not subject to MFN. Econcouns stressed that the textile exclusion applied to quotas only and urged Khanh to get it right to avoid losing GVN credibility on WTO accession. Khanh asked for another week to work on this before the USG took further action. Khanh agreed to seek to address other examples of GVN violation of WTO principles. He confirmed that the GVN was still sticking to the target set in Geneva for WTO accession, though the Minister was no longer going to say this publicly for domestic political reasons. END SUMMARY.

¶2. (SBU) On March 26, Econcouns met with MOT Director General for Multilateral Affairs Tran Quoc Khanh to discuss the GVN's refusal to grant lower tariffs on wine and motorcycles to the USG despite the fact that the BTA gave MFN to the U.S. Khanh is the deputy head of the GVN WTO negotiating team and the de facto chief negotiator. Econcouns began by expressing concern about the GVN's refusal to honor its MFN commitment to the U.S. in the BTA in the case of lower tariffs on wine and motorcycles granted to the EU. Khanh replied by citing a Vietnamese proverb to the effect that he was being blamed for what others had done. He explained that some in Vietnam interpreted the exclusion of textiles from the BTA to refer to both textile quotas and tariffs. They believed that this would also apply to the GVN's other bilateral commitments to MFN.

¶3. (SBU) Econcouns stressed that this exclusion applied only to quotas, not to tariffs. MFN was simply not negotiable, he added. Khanh claimed that the EU also had at least two other textile agreements that covered more than quotas (Brazil and Sri Lanka). Econcouns stressed the need for GVN to get the MFN issue straight and get it right to avoid losing the credibility gained during the December Working Party Talks in Geneva. Should the GVN fail to do so, it was very hard to see them making progress on a WTO accession, he said.

¶4. (SBU) Khanh asked for another week to try to work on this issue before the U.S. took further action. He expressed concern that the Ambassador was raising the issue during his trip to Washington. Econcouns did not comment on this remark, but expressed hope Khanh would achieve a positive result in the coming week.

¶5. (SBU) Econcouns went on to raise another example of non-compliance with WTO principles: the GVN requirement that rice for export to Iraq be sold only to state trading companies. Professing ignorance, Khanh asked for greater detail on this and any other issue in this category so that he could work to correct them. Econcouns agreed to provide more detailed information.

¶6. (SBU) Khanh said that he was working hard on the WTO accession and he hoped the USG and GVN would be able to have a bilateral in the near future, perhaps around the time of the BTA joint committee meeting. Econcouns agreed to convey this to Washington.

¶7. (SBU) Noting that Trade Minister Tuyen had referred to a target of 2005 or perhaps 2006 in his meeting the previous week with the Ambassador and visiting textile negotiators, Econcouns asked whether the GVN had changed its target date. Khanh replied that the target was still the one the GVN had set in December in Geneva, namely completing paperwork by late 2004 or early 2005 and acceding by spring or summer of ¶2005. Tuyen's statement had merely been an attempt to be realistic publicly for domestic political reasons while still striving for the timing set in Geneva, he said.

PORTER